

NORTH ADAMS COMMUNITY
MEMORIAL LIBRARY

AUDIT REPORT

JUNE 30, 2005

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 5
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet - Statement of Net Assets	6
Statement of Governmental Revenue, Expenditures and Changes in Fund Balance - Statement of Activities	7
Notes to Financial Statements.....	8 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	14

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name NORTH ADAMS COMM. MEMORIAL LIBRARY	County HILLSDALE
Audit Date 6/30/05	Opinion Date 1/6/06	Date Accountant Report Submitted to State: 3/3/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised. **MAR 14 2006**
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Bailey, Hodshire & Company PC			
Street Address 479 E Chicago Rd	City Jonesville	State MI	ZIP 49250
Accountant Signature Bailey, Hodshire & Company PC		Date 3/10/06	

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

INDEPENDENT AUDITOR'S REPORT

To the Library Board
North Adams Community Memorial Library
North Adams, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Adams Community Memorial Library, Hillsdale County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of fund balances at July 1, 2004, therefore, we are unable to express an opinion on the accompanying statements of fund balance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the July 1, 2004, fund balances, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the North Adams Community Memorial Library as of June 30, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of June 30, 2005.

Library Board
North Adams Community Memorial Library
Page 2

The Management's discussion and analysis and budgetary comparison information on pages 3 to 5 and page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, however we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company PC

Jonesville, Michigan
January 6, 2006

North Adams Community Memorial Library

Management's Discussion and Analysis Year Ended June 30, 2005

New Financial Reporting

As management of the North Adams Community Memorial Library, North Adams, Michigan, we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2005. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Library. Starting with fiscal year 2005, the North Adams Community Memorial Library, (the "Library") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Library's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2005 from the point of view of the Library's administration. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Comparative analysis will be provided in future years and it is not required in the first year of implementation of GASB Statement No. 34.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$272,443 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$41,604, as a result of current year activity at the government wide level. This decrease is primarily due to depreciation expense charged to the current period.
- Total governmental fund balance increased by \$390 in the current year at the fund level.
- At the close of the current fiscal year, undesignated fund balance of the general fund was \$14,569 or 45% of total general fund expenditures.

Using this Annual Report

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial

North Adams Community Memorial Library

Management's Discussion and Analysis Year Ended June 30, 2005

resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The *governmental activities* financial statements are designed to provide readers with a broad view of the Library's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Library's finances and whether the full cost of government services have been funded.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information presenting budgetary comparisons for the Library's General Fund.

CONDENSED FINANCIAL INFORMATION

The following table shows, in a condensed format, the net assets as of June 30, 2005 and the changes in the net assets during the current year. A comparative analysis of data will be presented in future years when the information is available.

Current Assets	\$ 30,698
Capital Assets, Net	<u>242,575</u>
Total Assets	<u>\$273,273</u>
	=====
Liabilities	<u>\$ 830</u>
	=====
Net Assets	
Invested in Capital Assets	\$242,575
Restricted	0
Unrestricted	<u>29,853</u>
Total Net Assets	<u>\$272,428</u>
	=====
Revenue	\$ 32,619
Expenses - Library Services	<u>(74,238)</u>
Change in Net Assets	<u>\$ (41,619)</u>
	=====

North Adams Community Memorial Library

Management's Discussion and Analysis Year Ended June 30, 2005

The Library's total net assets were \$272,443 at June 30, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$29,868 at the end of the fiscal year. The net assets invested in capital assets were \$242,575.

Governmental Activities

The Library's governmental revenues totaled \$ 32,634 with the greatest revenue source being penal fines. Penal fines make up approximately 53 percent of total governmental revenue. Municipal contributions are the second largest source of revenue and make up approximately 39 percent of total governmental revenue.

The Library incurred expenses of \$74,238 during the year. The majority of governmental expense is associated with depreciation and the staffing of the Library, which provides all library services. Depreciation represents 57 percent of the Library's total expenses and Salaries represent 16 percent.

The Library's Funds

The Library's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 6 and 7. The fund column provides detailed information about the most significant fund, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The Library did not have any nonmajor funds for the fiscal year ended June 30, 2005.

Library Budgetary Highlights

The general fund budget was amended during the year to reflect unexpected increases and decreases in various expense categories. Overall, actual revenue were \$449 greater than budgeted while total expenditures were \$390 over the final budget. The Library's budget for fiscal 2006 calls for an increase in revenues of approximately one percent and expenses of approximately one percent.

Factors bearing on the Library's future

The Library is dependent on penal fines, municipal contributions and state aid for operations and if these sources were cut, it would effect operations. The Library Board continues to operate within budget and provide needed services for the community. The Library offers summer and children's programs.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the North Adams Community Memorial Library Board of Directors.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2005

	General Fund Modified Accrual		Statement of
	<u>Basis</u>	<u>Adjustments</u>	<u>Net Assets</u>
ASSETS			
Cash and Cash Equivalents	\$ 30,683		\$ 30,683
Accounts Receivable	0		0
Fixed Assets, net	<u>0</u>	<u>\$ 242,575</u>	<u>242,575</u>
Total Assets	<u>\$ 30,683</u>	<u>\$ 242,575</u>	<u>\$ 273,258</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	<u>\$ 830</u>	<u>\$ 0</u>	<u>\$ 830</u>
Total Liabilities	<u>\$ 830</u>	<u>\$ 0</u>	<u>\$ 830</u>
FUND BALANCE/NET ASSETS			
Fund Balance - Unreserved/Undesignated	\$ 14,554	\$ (14,554)	
Fund Balance - Designated	<u>15,299</u>	<u>(15,299)</u>	
Total Fund Balance	<u>\$ 29,853</u>	<u>\$ (29,853)</u>	
Total Liabilities and Fund Balance	<u>\$ 30,683</u>		
Net Assets			
Invested in Capital Assets - Net of Related Debt		\$ 242,575	\$ 242,575
Restricted		0	0
Unrestricted		<u>29,853</u>	<u>29,853</u>
Total Net Assets		<u>\$ 272,428</u>	<u>\$ 272,428</u>
Total Liabilities and Net Assets			<u>\$ 273,258</u>

The accompanying notes are an integral part of this statement.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
JUNE 30, 2005

	General Fund Modified Accrual		Statement of
	Basis	Adjustments	Activities
REVENUE			
State Aid	\$ 842	\$	\$ 842
Penal Fines	17,236		17,236
Municipal Contributions	12,675		12,675
Interest on Investments	562		562
Gifts & Memorials	781		781
Miscellaneous	<u>523</u>		<u>523</u>
Total Revenue	\$ <u>32,619</u>	\$	\$ <u>32,619</u>
EXPENDITURES			
Wages	\$ 12,096	\$	\$ 12,096
Payroll Taxes	1,265		1,265
Supplies and Maintenance	1,095		1,095
Books	4,477		4,477
Videos	50		50
Subscriptions	306		306
Rent	10,500		10,500
Utilities	2,058		2,058
Postage	118		118
Reading Programs	122		122
Miscellaneous Expense	157		157
Depreciation	<u>0</u>	<u>41,994</u>	<u>41,994</u>
Total Expenditures	\$ <u>32,244</u>	\$ <u>41,994</u>	\$ <u>74,238</u>
Excess of Revenue Over (Under)			
Expenditures/Change in Net Assets	\$ 375	\$ (41,994)	\$ (41,619)
Fund Balance/Net Assets - Beginning	<u>29,478</u>	<u>284,569</u>	<u>314,047</u>
Fund Balance/Net Assets - Ending	<u>\$ 29,853</u>	<u>\$ 242,575</u>	<u>\$ 272,428</u>

The accompanying notes are an integral part of this statement.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Adams Community Memorial Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library's activities.
- A change in the fund financial statements to focus on the major funds.

The Library has implemented the provision of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

Financial Reporting Entity

The North Adams Community Memorial Library is located in the Village of North Adams, Hillsdale County, Michigan, and is governed by a seven member board. One member is appointed by the Village of North Adams, one is appointed by Adams Township, and one is appointed by Moscow Township. The financial support is provided primarily through Hillsdale County penal fines with additional support from municipal contributions of the State of Michigan (State Aid), Village of North Adams, and the Townships of Adams and Moscow, as well as charitable donations and memorials. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the municipal contributions are susceptible to accrual. All other revenue items are considered to be available only when the cash is received by the Library.

Financial Statement Presentation

The Library reports the following major governmental fund: the General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	39 years
Furniture and Fixtures	7 years
Library books, periodicals, etc.	7 years
Computer equipment	5 years

Change in Accounting - During the current year, the Library adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As a result, these financial statements include a full accrual accounting for all of the Library's activities. GASB Statement No. 34 also requires fixed assets to be recorded with related depreciation.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets, Budgetary Accounting and Budget Basis of Accounting - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by North Adams Community Memorial Library.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Library Board at the line-item level. Any budgetary modifications may only be made by resolution of the Library Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to June 30, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 3) The Library Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

<u>Description</u>	<u>Amount of</u>		
	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Books	\$ 4,450	\$ 4,477	\$ 27
Payroll Taxes	1,005	1,265	260
Professional and Contractual Services	300	306	6
Utilities	1,950	2,058	108

NOTE 3 - CASH AND INVESTMENTS

Following are the components of the Library's bank deposits at June 30, 2005:

Commercial Accounts	\$ 2,125
Savings and Certificates of Deposit	<u>28,558</u>
Total	<u>\$ 30,683</u>

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - CASH AND INVESTMENTS (continued)

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2005, the carrying amount of the Library's deposits was \$30,698 and the bank balance was \$30,718. The entire amount was covered by federal depository insurance.

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2005, the Library's deposits and investments are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
Books, Audios, Videos	\$ 281,749	\$ 0	\$ 0	\$ 281,749
Equipment	10,356	0	0	10,356
Furniture and Fixtures	<u>13,284</u>	<u>0</u>	<u>0</u>	<u>13,284</u>
Total Capital Assets	\$ 305,389	\$ 0	\$ 0	\$ 305,389
Less: Accum. Depreciation	<u>(20,820)</u>	<u>(41,994)</u>	<u>0</u>	<u>(62,814)</u>
Net Capital Assets	<u>\$ 284,569</u>	<u>\$ (41,994)</u>	<u>\$ 0</u>	<u>\$ 242,575</u>

Depreciation expense for the fiscal year ended June 30, 2005 was \$41,994.

NOTE 5 - LEASE OF FACILITIES

The Library utilizes space in the Adams Township Hall. In prior years, the Township provided this space rent-free as in-kind funding for library services. For the 2004-05 fiscal year, the Township paid the Library \$10,850 for library services and charged \$10,500 for rent.

NOTE 6 - UNEMPLOYMENT TAXES

The Library is a reimbursing employer to the Michigan Employment Security Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, physical damage (equipment and building contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 8 - CONCENTRATIONS

The Library receives a major portion of its revenue from the County of Hillsdale in the form of allocated penal fines. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

NOTE 9 - DESIGNATED FUND BALANCE

The Board has designated a portion of fund balance for Library improvements. The amount of designation is equal to the June 30, balance of the two certificates of deposit held at Flagstar bank.

NOTE 10 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 29,853
--	------------------

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	<u>242,575</u>
---	----------------

Net Assets of General Fund - Full Accrual Basis	<u>\$ 272,428</u>
--	--------------------------

Net Change in Fund Balances - Modified Accrual Basis	\$ 375
---	---------------

Amounts reported in the statement of net activities are different because:

Capital costs are allocated over their estimated useful lives as depreciation	<u>(41,994)</u>
---	-----------------

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ (41,619)</u>
--	---------------------------

NOTE 11 - RESTATEMENTS

As of and for the year ended June 30, 2005, the Library implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 - RESTATEMENTS (continued)

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended June 30, 2005, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balance of General Fund as of June 30, 2004	\$ 29,478
Add: capital assets, including land and buildings as of June 30, 2004	305,389
Deduct: accumulated depreciation as of June 30, 2004, on the above assets	<u>(20,820)</u>
General Fund net assets, restated, as of July 1, 2004	<u>\$ 314,047</u>

NORTH ADAMS COMMUNITY MEMORIAL LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Amended Budget
Beginning of Year Fund Balance	\$ 29,478	\$ 29,478	\$ 29,478	\$ 0
Resources (Inflows)				
State Aid	1,660	1,660	842	(818)
Penal Fines	17,500	17,500	17,236	(264)
Municipal Contributions	12,150	12,150	12,675	525
Interest on Investments	75	75	562	487
Gifts & Memorials	300	300	781	481
Miscellaneous	<u>500</u>	<u>500</u>	<u>523</u>	<u>23</u>
Amounts Available for Appropriation	<u>\$ 61,663</u>	<u>\$ 61,663</u>	<u>\$ 62,097</u>	<u>\$ 434</u>
Charges to Appropriations (Outflows)				
Wages	\$ 12,270	\$ 12,270	\$ 12,096	\$ (174)
Payroll Taxes	940	1,005	1,265	260
Supplies and Maintenance	900	1,160	1,095	(65)
Books	4,000	4,450	4,477	27
Videos	100	50	50	0
Subscriptions	180	300	306	6
Rent	10,500	10,500	10,500	0
Utilities	2,320	1,950	2,058	108
Postage	150	125	118	(7)
Reading Programs	400	150	122	(28)
Miscellaneous Expense	<u>425</u>	<u>225</u>	<u>157</u>	<u>(68)</u>
Total Charges to Appropriations	<u>\$ 32,185</u>	<u>\$ 32,185</u>	<u>\$ 32,244</u>	<u>\$ 59</u>
Budgetary Fund Balances - June 30, 2005	<u>\$ 29,478</u>	<u>\$ 29,478</u>	<u>\$ 29,853</u>	<u>\$ 375</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

January 6, 2006

Library Board
North Adams Community Memorial Library
110 E. Main Street
North Adams, MI 49262

To the Members of the Board:

In connection with our audit of the North Adams Community Memorial Library for the year ended June 30, 2005, we would like to make the following comments and recommendations:

1. Budget revisions should be specifically outlined in the Board minutes.
2. The board needs to adopt a capitalization policy to be in conformity with GASB 34.

If we can be of assistance in regard to these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company PC
Bailey, Hodshire & Company, P.C.
Certified Public Accountants

RECEIVED
DEPT. OF TREASURY

MAR 14 2006

LOCAL AUDIT & FINANCE DIV.